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Hartford CT 06106-5032

STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

SN 2005(13.2)

SPECIAL NOTICE

Sales Tax Holiday for Home Weatherization Products

Purpose: This Special Notice describes an exclusion from sales and use taxes of residential weatherization products during the period of November 25, 2005, through April 1, 2006. This Special Notice has been revised to provide rules regarding whether a sale takes place during the exclusion period.

Effective Date: The exclusion begins on November 25, 2005, and ends on April 1, 2006, except that residential weatherization products added to the exclusion in the legislative amendment are not subject to tax for sales occurring on or after December 15, 2005, through April 1, 2006.

Statutory Authority: 2005 Conn. Pub. Acts 2, §4 (October 25 Spec. Sess.), as amended by House Bill 7601 (October 25 Spec. Sess.).

Definition: The term *residential weatherization products* mean the following:

- Programmable thermostats;
- Window film;
- Caulking of a type marketed for preventing drafts, such as window and door caulking;
- Window and door weather strips, including door sweeps;
- Insulation, for example attic and wall insulation, spray foam insulation, water pipe insulation, heating duct insulation, and switch and outlet insulators;
- Water heater blankets;
- Water heaters;

- Boilers. On and after December 15, 2005, only sales of boilers that meet the federal Energy Star standard qualify for the exclusion (Energy Star qualified boilers have an annual fuel utilization efficiency (AFUE) rating of 85% or greater);
- Natural gas furnaces that meet the federal Energy Star standard;
- * Propane furnaces that meet the federal Energy Star standard;
- Windows that meet the federal Energy Star standard (note that storm windows do not have an Energy Star standard and are not included in this tax exclusion);
- * Doors that meet the federal Energy Star standard (note that storm doors do not have an Energy Star standard and are not included in this tax exclusion);
- Oil furnaces that are not less than 85% efficient based on the Annual Fuel Utilization Efficiency (AFUE) rating; **and**
- * Ground-based heat pumps that meet the minimum federal energy efficiency rating.

The exclusion applies only to the items listed above. In order to qualify as a residential weatherization product, the item must be designed and marketed for residential use and not for commercial use.

Items that are exempted on and after December 15, 2005, through April 1, 2006 are marked with an asterisk (*).

Nontaxable Sales of Residential Weatherization Products: Sales and use taxes do not apply to sales of residential weatherization products during the period that begins on November 25, 2005 (except as noted above for items that become exempt on December 15, 2005), and

ends on April 1, 2006. This exemption applies provided the sale occurs within the exclusion period. The exclusion applies to sales made by Connecticut retailers, sales made by out-of-state retailers required to collect Connecticut use tax on sales to Connecticut customers, and purchases by Connecticut customers on which they would otherwise be required to self-assess use tax.

Building Contractors: The exclusion applies whether the purchaser of residential weatherization products is a property owner, a tenant, or a contractor, and whether the products are to be used in existing real property or new construction. This exclusion only covers the residential weatherization products; it does not exempt any taxable contractor labor. See **Informational Publication 2004(29)**, *Building Contractor's Guide to Sales and Use Taxes*, for more information.

Mail Order, Telephone, and Internet Sales: Tax does not apply to the sale of a residential weatherization product sold during the exclusion period by mail, telephone, or over the Internet.

Determining When a Sale Takes Place: The following rules apply in determining whether a "sale" takes place during the exclusion period.

Sales Made Before the Exclusion Period:

If the customer purchases and **takes delivery** of a residential weatherization product before the exclusion period began, sales and use taxes apply.

If the customer **orders** a residential weatherization product before the exclusion period began **and paid the retailer in full at the time of the order**, the customer does **not** receive the benefit of the exclusion, even if the product is delivered to the customer during the exclusion period. For purposes of the exclusion, "pays in full" means the customer pays the full purchase price or is fully charged for the purchase price.

If the customer **orders** a residential weatherization product **and pays a deposit** to the retailer before the exclusion period, the customer will only receive the benefit of the exclusion if the product is delivered to the customer during the exclusion period. Delivery is made when the retailer delivers the product to the customer at the retailer's establishment or at the

customer's location, or places the product in shipment to the customer.

If a residential weatherization product is put on **layaway** prior to the exclusion period and the customer takes possession of the item during the exclusion period, sales and use taxes apply because at the time of the initial layaway transaction the retailer has withdrawn the item from inventory for later delivery.

Sales Made During the Exclusion Period:

If during the exclusion period, the customer purchases the residential weatherization product and at the same time **takes delivery** of the product, the exclusion applies.

If during the exclusion period, a customer **orders** a residential weatherization product and **pays for the product in full at the time of the order**, the customer will receive the benefit of the exclusion whether or not the item is currently in stock. For purposes of this exclusion, "pays in full" means the customer pays the full purchase price or is fully charged for the purchase price. As long as the qualifying item is ordered and paid for during the exclusion period, the transaction qualifies for the exclusion even if the product is delivered to the customer after April 1, 2006.

If during the exclusion period, the customer **orders** a residential weatherization product and **pays a deposit to the retailer**, the customer will only receive the benefit of the exclusion if the product is delivered to the customer on or before April 1, 2006. Delivery is made to the customer when the retailer delivers the product to the customer at the retailer's establishment or at the customer's location, or places the product in shipment to the customer.

If during the exclusion period, the customer puts a residential weatherization product on **layaway**, the item qualifies for the exclusion and none of the customer's payments on the item are taxable even if they are made after the exclusion period. The item will not be taxable when the customer takes delivery or possession of it.

Sales Made After the Exclusion Period:

If after the exclusion period, the customer purchases a residential weatherization product and at the same time, or any later time, takes delivery of the product, sales and use taxes will apply.

Rain Checks:

It does not matter when a rain check is issued. The taxability of a purchase of a residential weatherization product is determined by reference to the rules described above. Thus, a residential weatherization product purchased during the exclusion period using a rain check is not taxable. If a retailer issues a rain check to a customer during the exclusion period for a weatherization product and the customer purchases the item after the exclusion period has ended using the rain check, the item is taxable.

Reporting Requirements: Sales of residential weatherization products are reported on Line 1 of **Form OS-114, Sales and Use Tax Return**. The nontaxable sales of residential weatherization products sold during the exclusion period are deducted on Line 79 of Form OS-114.

Effect on Other Documents: Special Notice 2005(13.1), Sales Tax Holiday for Home Weatherization Products, is modified and superseded.

Informational Publication 2004(29), Building Contractors' Guide to Sales and Use Taxes, is modified and superseded to the extent it applies to residential weatherization products sold during the period from November 25, 2005 through April 1, 2006.

Effect of This Document: A Special Notice announces a new policy or practice in response to changes in state or federal laws or regulations or to judicial decisions. A Special Notice indicates an informal interpretation of Connecticut tax law by the Department of Revenue Services (DRS).

For Further Information: Call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (in-state); or
- **860-297-5962** (from anywhere)

TTY, TDD, and Text Telephone users only may transmit inquiries anytime by calling 860-297-4911.

Forms and Publications: Forms and publications are available anytime by:

- **Internet:** Visit the DRS Web site at **www.ct.gov/DRS** to download and print Connecticut tax forms; or
 - **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (in-state) and select **Option 2** from a touch-tone phone.
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Paperless Filing/Payment Methods (fast, easy, free, and confidential):

- **For business returns:** Use **Fast-File** to file sales and use taxes, business use tax, room occupancy tax, estimated corporation business tax, business entity tax, attorney occupational tax, nursing home provider fee, admissions and dues tax, or withholding tax returns over the Internet. Visit the DRS Web site at **www.ct.gov/DRS** and click on **File/Register OnLine**.
 - **For payment of business taxes other than those listed above:** Use **Fast-File** to pay your business taxes over the Internet or by phone. Visit the DRS Web site at **www.ct.gov/DRS** and click on **Electronic Services** for a list of eligible taxes. The ACH debit method is used to make the transfer. No preregistration is required.
 - **For resident income tax returns:** Use **WebFile** to file personal income tax returns over the Internet. Visit the DRS Web site at **www.ct.gov/DRS** and click on **File/Register OnLine**.
 - **For electronic filing of income tax extensions, estimated payments, and for electronic bill payments:** Use **WebFile** to electronically file personal income tax returns over the Internet. You can also use **WebFile** to make an electronic income tax payment for a prior year. Visit the DRS Web site at **www.ct.gov/DRS** and click on **File/Register OnLine**.
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